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SUBJECT: CHUNG DONG-YOUNG ADVISORS: IT'S ALL ABOUT THE
ECONOMY

¶1. (SBU) Summary: In a recent meeting with Emboffs, members of United New Democratic Party (UNDP) candidate Chung Dong-young's policy advisory team discussed Chung's economic policy, his views on the U.S. and his strategy for overcoming Lee Myung-bak's sizable lead in the final 60 days of the campaign. Also present were several Chung confidants and campaign staffers. End Summary

Economy: Chung's Policy Right, Lee's Policy Wrong

¶2. (SBU) Chung's economics advisors, as a whole, professed views that were more moderate than the media's portrayal of him as a big government socialist. In fact, they noted that the portrayal of GNP Candidate Lee's economic policies as "small government" was not consistent with the facts. For example, several of the advisors noted that Lee's plan to build a canal across Korea would require huge government expenditures. By contrast, Chung plans to spend government money to educate young workers to engage in technical jobs as a way to reduce youth unemployment.

¶3. (SBU) On the policy side, the strongest voice belonged to Seoul National University Professor of Economics Ryu Keunkwan, who insisted that, once Chung's policies were reviewed, the Korean people would find them superior to Lee's. Ryu, who received a PhD in econometrics from Stanford, insisted that Chung's economic vision was market based, while Lee's was not. Ryu and others emphasized that Chung's plan was to target small and medium-sized enterprises. Chung advisor Professor Kim Dong-sik said Lee encouraged an export-based growth model which would only benefit large businesses, whereas Chung intends to expand domestic markets in order to enable smaller businesses to grow.

¶4. (SBU) Chung's advisors were convinced that Chung had the right vision but acknowledged the need to better explain his policies to the people. Kim Dong-sik conceded that the complexity of Chung's plan may be more difficult to explain to the Korean people, especially when compared to Lee's simple, but misguided, economic proposals. However, Chung's policies would provide a long term solution to the country's economic woes based on "real" economics rather than relying on Lee's more populist proposals for massive government projects. To accent the market-based nature of Chung's plans, one advisor explained that Chung not only supported the KORUS FTA but was also interested in pursuing an FTA with

China.

North Korea: Engage, Engage, Engage

¶15. (SBU) Dongkuk University Professor of North Korean Studies Kim Jong-wook, one of two North Korea advisors for the Chung camp and a former advisor to then Unification Minister Chung, made it clear that Chung would follow the general Sunshine Policy path laid out by former President Kim Dae-jung. Kim noted that joint inter-Korean projects along the east coast were unlikely to increase in scope because of the lack of potential profits there. On the other hand, Kim believed projects on the west coast could be commercially viable, and supported the "inkblot" approach -- opening special economic zones along the west coast of the peninsula, starting with the Kaesong Industrial Complex (KIC) and followed by projects in Haeju, Nampo, and Sinuiju. These "inkblot" development zones could eventually "bleed over" and combine into a consolidated area of capitalism, and ultimately result in de facto economic unification.

¶16. (SBU) Kim, a specialist on the everyday lives of common North Koreans, said he believed that the DPRK had undergone quiet but crucial change in the last few years: North Koreans increasingly were relying less on the government distribution system and more on money earned through local market sales in order to survive. Other advisors told emboffs that Chung would put North Korea policy front and center and that only by achieving peace with the North, could South Korea thrive. To emphasize his focus on North Korea, Chung accompanied a group of small and medium business representatives to Kaesong Industrial Complex (KIC) just two days after winning the

UNDP.

¶17. (SBU) Kwon Seung-il, another former Ministry of Unification official, said if the Korean people understood Chung and Lee's respective policies toward North Korea, then they would support Chung over Lee. Kwon said that the conservative media conglomerates were responsible for deceiving the Korean people by over-emphasizing the potential economic burden that could come with engagement. He noted that the true yearly expenditures to each Korean citizen was only 2000 KRW (or about two USD) for engagement projects. Moreover, progress on the Peninsula could not be measured directly in terms of "return on investment." Instead he noted that Koreans would continue to support a pro-engagement policy, despite the "conservative media conspiracy" that was not accurately portraying the burden to the Korean taxpayer.

¶18. (SBU) Interestingly, a high school classmate of Chung, Professor Cho Seung-il, when asked similar questions, acknowledged that the tide of public opinion was beginning to turn and that the North Koreans were not doing much to help themselves. Therefore, while Chung obviously hoped that Koreans would welcome further expenditure on engagement, this might not be an easy issue to motivate voters.

Strategy for the Final 60 days

¶19. (SBU) This group of policy advisors, Chung confidants and campaign workers was surprisingly confident. Despite polls that show Lee with almost three times the support of Chung (54 percent to 17 percent in an October 22 Joongang Ilbo poll) they professed certainty that once people saw what Chung stood for, they would support him. They believed the explanation of Chung's policies was more important than the unification of the three remaining liberal candidates. Also, after Chung's victory in the UNDP primary that defied most experts' predictions, the camp members said they felt they could win in the general election. Professor Kwon Manhak, the policy director of Chung's team, told poloff that Chung could win if he was within 10 percent of Lee by election day due to superior turnout at the polls.

The People

¶10. (SBU) Leading Chung's group in our meeting was first-term UNDP Lawmaker Park Myung-gwang, a former professor and close Chung advisor. Two of Chung's classmates (one from high school, one from Seoul National University) joined the event and were called on to define Chung's thinking and his strategy. Ahn Byung-woo, a college classmate and a professor of history at Hanshin University told poloff that he was not in charge of any particular policy for Chung, but rather served as a sounding board for overall policy and strategy questions.

¶11. (SBU) Min Su-young, Chung's former assistant and also his wife's niece, is in charge of fundraising for the campaign. She told emboffs that this year there would be no fundraising violations. According to election officials poloff met during the primary, there were no incidences of vote-buying in this primary, perhaps a first for Korea. She told emboff that this year since the UNDP primary was so close to the presidential election, the 46 billion won the party would receive to run the campaign would be sufficient. This also would reduce the need to raise illegal funds as in past elections.

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